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**INNOCENCE PROJECT NEW ORLEANS**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2013 and 2012**

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A Professional Accounting Corporation

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**INNOCENCE PROJECT NEW ORLEANS**

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**DECEMBER 31, 2013 and 2012**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Innocence Project New Orleans

**Report on the Financial Statements**

We have audited the accompanying financial statements of Innocence Project New Orleans (a nonprofit organization) (the Organization), which comprise the statements of financial position as of December 31, 2013 and 2012, and the related statements of activities and changes in net assets and cash flows for the years then ended and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in conformity with auditing standards generally accepted in the United States of America.

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 8, 2014, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Postheltwante & Neville*

Metairie, Louisiana  
May 8, 2014

INNOCENCE PROJECT NEW ORLEANS

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2013 AND 2012

ASSETS

	<u>2013</u>	<u>2012</u>
Current assets:		
Cash and cash equivalents	\$ 60,936	\$ 153,719
Accounts receivable	6,704	12,383
Total current assets	<u>67,640</u>	<u>166,102</u>
Other assets - deposits	-	3,500
Other assets held for others (note 4)	186,795	186,795
Property and equipment, net	<u>224,321</u>	<u>19,533</u>
Total assets	<u><u>\$ 478,756</u></u>	<u><u>\$ 375,930</u></u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable	\$ 1,247	\$ 6,051
Note payable - current portion (note 5)	4,211	-
Amounts due to others (note 4)	186,795	186,795
Total current liabilities	<u>192,253</u>	<u>192,846</u>
Long term liabilities:		
Note payable - (note 5)	<u>205,362</u>	<u>-</u>
Total liabilities	397,615	192,846
Net assets:		
Unrestricted	<u>81,141</u>	<u>183,084</u>
Total liabilities and net assets	<u><u>\$ 478,756</u></u>	<u><u>\$ 375,930</u></u>

See accompanying notes to financial statements.

**INNOCENCE PROJECT NEW ORLEANS**

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
YEARS ENDED DECEMBER 31, 2013 AND 2012**

	2013			2012		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>Revenues and support:</b>						
Contributions	\$ 101,894	\$ -	\$ 101,894	\$ 116,865	\$ -	\$ 116,865
Grants	-	647,099	647,099	-	858,875	858,875
Fundraising event (net of direct costs of \$17,097 and \$13,807, respectively)	31,576	-	31,576	29,271	-	29,271
Other revenue	43,126	-	43,126	112,544	-	112,544
Net assets released from restrictions:						
Satisfaction of program restrictions	647,099	(647,099)	-	879,175	(879,175)	-
Total revenues and other support	823,695	-	823,695	1,137,855	(20,300)	1,117,555
<b>Expenses:</b>						
Program services	775,457	-	775,457	894,994	-	894,994
Supporting services:						
Fundraising	63,966	-	63,966	77,818	-	77,818
Management and general	86,215	-	86,215	92,848	-	92,848
Total expenses	925,638	-	925,638	1,065,660	-	1,065,660
Change in net assets	(101,943)	-	(101,943)	72,195	(20,300)	51,895
<b>NET ASSETS AT BEGINNING OF THE YEAR</b>	183,084	-	183,084	110,889	20,300	131,189
<b>NET ASSETS AT END OF THE YEAR</b>	\$ 81,141	\$ -	\$ 81,141	\$ 183,084	\$ -	\$ 183,084

See accompanying notes to financial statements.

INNOCENCE PROJECT NEW ORLEANS  
STATEMENTS OF FUNCTIONAL EXPENSES  
YEARS ENDED DECEMBER 31, 2013 AND 2012

		Supporting Services			
		Program Services	Fundraising	Management and General	Total Supporting Services
<u>December 31, 2013</u>					<u>Total</u>
Automobile	\$ 2,871	\$ 125	\$ 125	\$ 250	\$ 3,121
Books and publications	1,555	485	-	485	2,040
Depreciation	-	-	7,344	7,344	7,344
Employee benefits	63,327	5,095	4,367	9,462	72,789
Exoneree assistance	2,627	-	-	-	2,627
Filing fees	11,633	-	-	-	11,633
Forensic/DNA testing costs and expert fees	10,368	-	-	-	10,368
Insurance	18,764	593	395	988	19,752
Meetings/conferences/events	4,248	156	592	748	4,996
Membership dues	2,145	-	-	-	2,145
Miscellaneous expenses	12,137	1,792	335	2,127	14,264
Occupancy	150,624	6,549	6,549	13,098	163,722
Office operations	21,621	940	940	1,880	23,501
Payroll taxes	28,722	2,703	2,365	5,068	33,790
Postage and delivery	4,355	4,453	65	4,518	8,873
Printing and duplicating	3,197	-	-	-	3,197
Professional fees	15,368	-	23,052	23,052	38,420
Repairs and maintenance	3,036	132	132	264	3,300
Salaries and wages	376,364	40,811	36,276	77,087	453,451
Staff development	8,797	-	-	-	8,797
Telecommunications	6,074	132	132	264	6,338
Travel	27,624	-	3,546	3,546	31,170
Total expenses	<u>\$ 775,457</u>	<u>\$ 63,966</u>	<u>\$ 86,215</u>	<u>\$ 150,181</u>	<u>\$ 925,638</u>

See accompanying notes to financial statements.

(continued)



**INNOCENCE PROJECT NEW ORLEANS**  
**STATEMENTS OF FUNCTIONAL EXPENSES (CONTINUED)**  
**YEARS ENDED DECEMBER 31, 2013 AND 2012**

		Supporting Services			
		Program Services	Fundraising	Management and General	Total Supporting Services
<u>December 31, 2012</u>					Total
Automobile	\$ 5,808	\$ 253	\$ 253	\$ 506	\$ 6,314
Books and publications	2,166	-	-	-	2,166
Depreciation	3,996	174	174	348	4,344
Employee benefits	64,889	3,675	3,151	6,826	71,715
Exoneree assistance	14,210	-	-	-	14,210
Filing fees	-	-	489	489	489
Forensic/DNA testing costs and expert fees	18,560	-	-	-	18,560
Insurance	7,116	225	150	375	7,491
Meetings/conferences/events	7,329	8,662	666	9,328	16,657
Membership dues	2,583	-	-	-	2,583
Miscellaneous expenses	1,705	74	74	148	1,853
Occupancy	48,524	2,110	2,110	4,220	52,744
Office operations	52,616	2,197	2,197	4,394	57,010
Payroll taxes	37,505	3,530	3,089	6,619	44,124
Postage and delivery	3,132	136	136	272	3,404
Printing and duplicating	4,058	176	176	352	4,410
Professional fees	19,707	-	29,560	29,560	49,267
Repairs and maintenance	2,645	115	115	230	2,875
Salaries and wages	522,469	53,839	47,856	101,695	624,164
Staff development	10,327	-	-	-	10,327
Telecommunications	12,761	465	465	930	13,691
Travel	52,888	2,187	2,187	4,374	57,262
Total expenses	<u>\$ 894,994</u>	<u>\$ 77,818</u>	<u>\$ 92,848</u>	<u>\$ 170,666</u>	<u>\$1,065,660</u>

See accompanying notes to financial statements.

**INNOCENCE PROJECT NEW ORLEANS**

**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Change in net assets	\$ (101,943)	\$ 51,895
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	7,344	4,344
In-kind donation of laptops	(2,560)	
Decrease in other assets	3,500	-
Decrease in receivables	5,679	30,972
(Decrease) increase in accounts payable and other accrued liabilities	(4,803)	3,015
Net cash (used in) provided by operating activities	<u>(92,783)</u>	<u>90,226</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Purchase of furniture and equipment	<u>-</u>	<u>(15,730)</u>
Net cash used in investing activities	<u>-</u>	<u>(15,730)</u>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>		
Proceeds on loan payable	209,573	-
Payments on purchase and construction of property	<u>(209,573)</u>	<u>-</u>
Net cash provided by financing activities	<u>-</u>	<u>-</u>
Net (decrease) increase in cash	(92,783)	74,496
Cash, beginning of year	<u>153,719</u>	<u>79,223</u>
Cash, end of year	<u>\$ 60,936</u>	<u>\$ 153,719</u>
Supplemental disclosures of cash flow activities:		
Cash paid for interest	<u>\$ 9,572</u>	<u>\$ -</u>

See accompanying notes to financial statements.

## INNOCENCE PROJECT NEW ORLEANS

### NOTES TO FINANCIAL STATEMENTS

#### 1. Summary of Significant Accounting Policies

##### Organization

Innocence Project New Orleans (IPNO) is a 501 (c) (3) non-profit organization that represents innocent prisoners serving life sentences in Louisiana and south Mississippi and assists them with their transition into the free world upon their release.

IPNO was incorporated on April 27, 2000 pursuant to the provisions of the Louisiana Nonprofit Law, Louisiana R.S. 12:201 – 12:269 (1950 as amended).

IPNO offers and provides the following programs and services:

- Case Review and Representation
- Education/Public Outreach and Policy Reform Program
- Exoneree Advocacy Program

Program services provided by IPNO are funded primarily by grants from the following organizations:

- Louisiana Public Defender Board
- Louisiana Bar Foundation
- Mississippi Bar Foundation
- Bureau of Justice Assistance
- Baptist Community Ministries

##### Classification of Net Assets

The operations of IPNO are accounted for as follows:

- Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.
- Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that will be met either by actions of IPNO and/or the passage of time.
- Permanently restricted net assets - Net assets subject to donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled and removed by actions of IPNO pursuant to those stipulations.

IPNO reports donations as restricted support if they are received with donor stipulations that limit the use of the donated assets. Donations received to support the cost of operations are recorded as unrestricted support. IPNO does not have any temporarily or permanently restricted net assets as of December 31, 2013 and 2012.

## INNOCENCE PROJECT NEW ORLEANS

### NOTES TO FINANCIAL STATEMENTS

#### 1. Summary of Significant Accounting Policies (continued)

##### Basis of Presentation

IPNO is a nonprofit organization whose financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

##### Cash and Cash Equivalents

For purposes of the statements of cash flows, IPNO considers all highly liquid investments with initial maturity of three months or less to be cash equivalents. IPNO had no cash equivalents at December 31, 2013 and 2012.

##### Property and Equipment

Property and equipment of IPNO are recorded as assets and are stated at historical costs, if purchased, or at fair market value at the date of the gift, if donated. Additions, improvements, and expenditures greater than \$500 that significantly extend the useful life of an asset are capitalized.

Depreciation is computed on a straight-line basis over the following estimated useful lives:

Buildings	30 years
Furniture, fixtures, and office equipment	3 – 5 years
Vehicles	5 years

The cost of maintenance and repairs is charged to expense as incurred. Significant renewals and improvements are capitalized.

##### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## INNOCENCE PROJECT NEW ORLEANS

### NOTES TO FINANCIAL STATEMENTS

#### 1. Summary of Significant Accounting Policies (continued)

##### Revenue Recognition

Grants and contributions are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the existence and/or nature of any restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

##### Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among IPNO's programs.

##### Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Organization and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities at December 31, 2013. The Organization's tax returns for the years ended December 31, 2012, 2011 and 2010 remain open and subject to examination by taxing authorities.

#### 2. Economic Dependency

The primary sources of revenues for IPNO are grants and contributions provided through various funding agencies. The continued operations of IPNO are dependent upon the renewal of grants and contributions from current funding sources as well as obtaining new funding.

## INNOCENCE PROJECT NEW ORLEANS

### NOTES TO FINANCIAL STATEMENTS

#### 3. Grants

IPNO received funding from the following sources for the year ended December 31:

	2013	2012
Federal	\$ 92,299	\$ 114,717
Foundations	154,800	344,158
State of Louisiana	400,000	400,000
Total grants	<u>\$ 647,099</u>	<u>\$ 858,875</u>

#### 4. Property and Equipment

At December 31, property and equipment consisted of the following:

	2013	2012
Land	\$ 90,000	\$ -
Building	119,573	-
Furniture and equipment	12,990	25,549
Computers	22,864	20,304
Automobile	1,254	1,254
	246,681	47,107
Less: accumulated depreciation	(22,360)	(27,574)
Total	<u>\$ 224,321</u>	<u>\$ 19,533</u>

Depreciation expense for the year ended December 31, 2013 and 2012 was \$7,344 and \$4,344, respectively.

Included in Other Assets in the Statements of Financial Position is a building purchased in 2008 for Resurrection After Exoneration (RAE) under a restricted grant received in 2007. The restrictions of the grant stipulate that the building may only be used as residential accommodation for exonerees and other former long term prisoners, and may not be transferred to any for-profit entity or used as collateral for any for-profit business enterprise. IPNO will transfer the building to RAE at such time as RAE is determined to have nonprofit (501(c) (3)) status by the Internal Revenue Service.

## INNOCENCE PROJECT NEW ORLEANS

### NOTES TO FINANCIAL STATEMENTS

#### 5. Note Payable

On February 15, 2013, the Organization signed a promissory note in the amount of \$209,573 due on February 14, 2014, at 5.75% interest from a bank to finance purchase of property and construction for the Organization's office. Interest only payments are due monthly to the lender until the maturity date. The promissory note is secured by the property. The note was converted to a mortgage note at a fixed rate of 5.75% on March 12, 2014.

Annual principal payments on loans payable for each of the next five years and in total thereafter at December 31, 2013 are as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Amount</u>
2014	\$ 4,211
2015	5,966
2016	5,290
2017	6,700
2018	7,101
2019-2034	\$ 180,305

#### 6. Lease Commitments

During 2013, IPNO occupied office space under a 3-year noncancellable operating lease, with a two-year option to renew, that commenced on September 1, 2008 with monthly rent of \$3,500. IPNO did not renew the lease agreement when it expired on August 31, 2013. IPNO also leases a copier under a 5-year operating lease that commenced on July 31, 2012 with monthly rent of \$269.

The future minimum lease payments under the above operating leases as of December 31, 2013 are \$3,228 in 2014, \$3,228 in 2015, \$3,228 in 2016 and \$907 in 2017.

#### 7. Subsequent Events

Subsequent events were evaluated through May 8, 2014, which is the date the financial statements were available to be issued, and no items were noted for disclosure.

On March 12, 2014, the Organization signed a mortgage note in the amount of \$209,573 due on March 12, 2034, at a fixed rate of 5.75% interest from a bank to finance purchase of property for the Organization's office. The promissory note is secured by the property.



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON  
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors for  
Innocence Project New Orleans  
New Orleans, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Innocence Project New Orleans ("the Organization") as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements and have issued our report thereon dated May 8, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Postlethwaite & McHvillie*

Metairie, Louisiana  
May 8, 2014

INNOCENCE PROJECT NEW ORLEANS

New Orleans, Louisiana

Schedule of Findings and Questioned Costs

Year ended December 31, 2013

(1) Summary of Results

- (a) The type of report issued on the financial statements: Independent Auditors' Report
- (b) Significant deficiencies in internal control were disclosed by the compilation of the financial statements: n/a Material weaknesses: n/a
- (c) Noncompliance which is material to the financial statements: n/a
- (d) Management letter comments issued: n/a

## INNOCENCE PROJECT NEW ORLEANS

### New Orleans, Louisiana

#### Schedule of Prior Year Findings and Questioned Costs

Year ended December 31, 2013

- (1) Findings Relating to the Financial Statements Reported in Accordance with Louisiana Legislative Auditor Requirements: Finding 2012-01 Timely Submission of the Report to the Legislative Auditor

Condition: The Organization did not meet the June 30, 2013 deadline for reporting to the Office of the Louisiana Legislative Auditor.

Criteria: The Organization is required by the Louisiana R.S. 24:513 (agency receives \$500,000 or more in revenues and other sources (other sources would include bond proceeds, one-time grant revenues, and additions to fiduciary funds) in any one fiscal year shall be audited annually. Audit engagements must be completed within six months of the close of the fiscal year.

Effect: The audit report was not submitted timely to the State of Louisiana.

Cause: The Organization requested a review of the 2012 financial statements. A CPA firm was engaged and performed a review for the year ended December 31, 2012. Upon receiving notice of incorrect filing from LLA, the Organization immediately remedied the situation by engaging the CPA firm to perform an audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Recommendation: The Organization should monitor all government funding and ensure proper coding of funds in order to submit the appropriate report as required based upon the amount of revenues and other sources of income received is submitted in a timely manner.

Management's

Response:

We engaged a CPA firm to perform a review of the Organization's 2012 financial statements. The CPA firm and management were not aware that the Organization met the threshold for an audit as required by R.S. 24:513. We submitted to the Louisiana Legislative Auditor's office an Independent Accountants' Review Report by June 30, 2013. As soon as we realized that IPNO was required to submit an Independent Auditors' Report based on funding received, we remedied the situation immediately. For the year ended December 31, 2013, we have engaged a CPA to perform an audit.

Current Status: Resolved.